

Municipal transportation needs and local efforts

Municipal Transportation Costs and Powell Bill Allocation Key Facts

- Transportation costs represent about 11% of total expenditures for all municipalities
- Largest 26 cities spent \$2 billion on transportation from 2003-2005, other 522 cities spent \$528 million
- Municipal transportation expenditures increased 23% from 2003 -2005
- Municipal roads (miles) have increased by 34% in 10 years, state roads by 3%
- Powell Bill provides over \$100 million each year to 502 municipalities
- Powell Bill allocation has increased by only 3.4% since 2003
- On average, largest 26 Powell Bill cities receive \$80 million (61%), other 476 receive \$49 million
- Powell Bill funds cover about 12% of largest cities' transportation costs, 27% of other cities
- Cities spend more than 70% of Powell Bill funds each year (have to spend 100% in 10 years)

Introduction

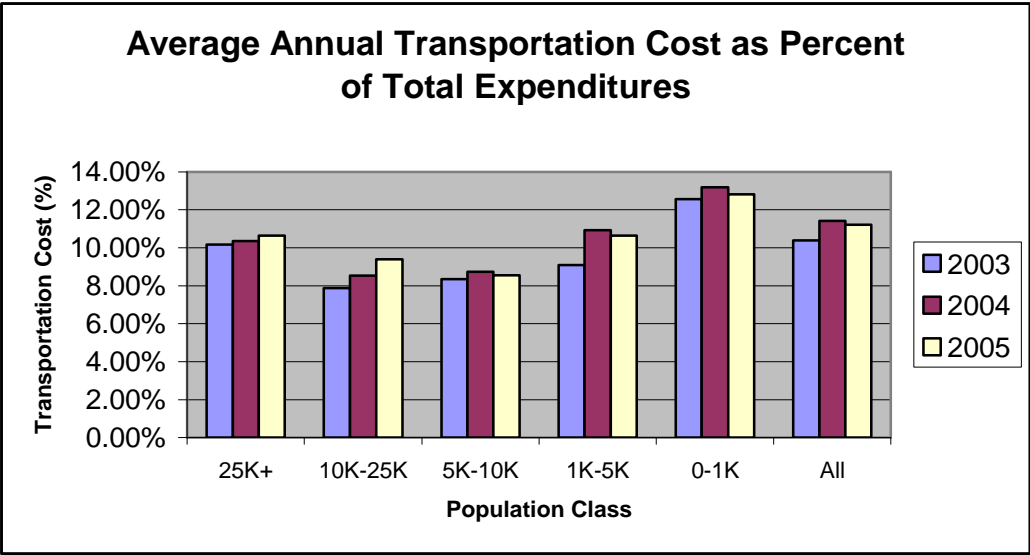
This paper analyzes recent municipal transportation costs and North Carolina Department of Transportation (N.C. DOT) Powell Bill funding data. All data are from municipal Annual Financial Information Reports (AFIR) collected by the N.C. Department of State Treasurer and from records maintained by N.C. DOT. AFIR data are from FY 2004-2005 and represent the most recent year for which complete data are available. It is important to note that 548 municipalities provide information on AFIR forms and do not all account for revenues and expenditures in the same manner. Potential data source inconsistencies should be considered when reviewing this analysis.

Discussion

Transportation costs absorb a large portion of local government budgets. In FY 2004-2005, total municipality expenditures exceeded \$7.9 billion with over \$927 million spent on

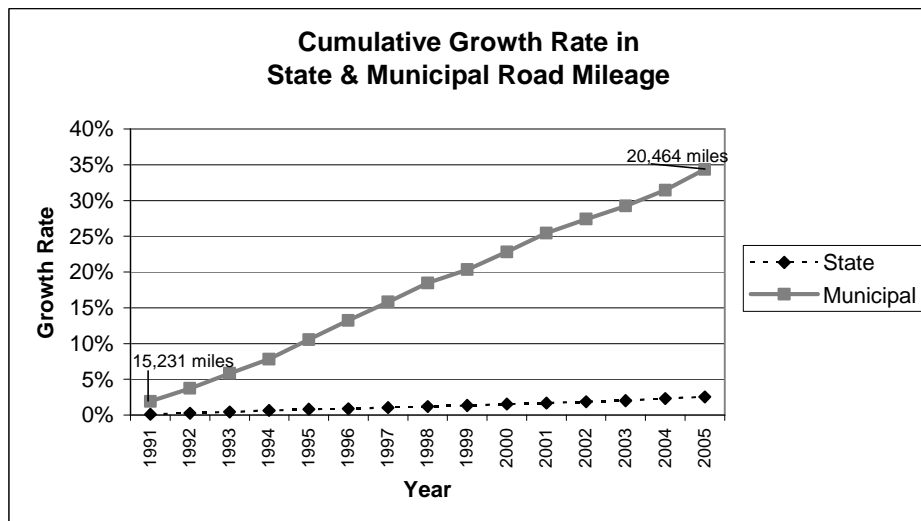
transportation, with average transportation spending of more than eleven percent of total expenditures.(1a). This includes public transit, streets, and other miscellaneous transportation expenditures. These costs are highest in large cities. From FY 2002-2003 to FY 2004-2005, the largest 26 municipalities in the state spent two billion dollars while the other 522 municipalities spent \$528 million. Transportation costs, however, absorb a larger percentage of the budget for smaller municipalities.

1a



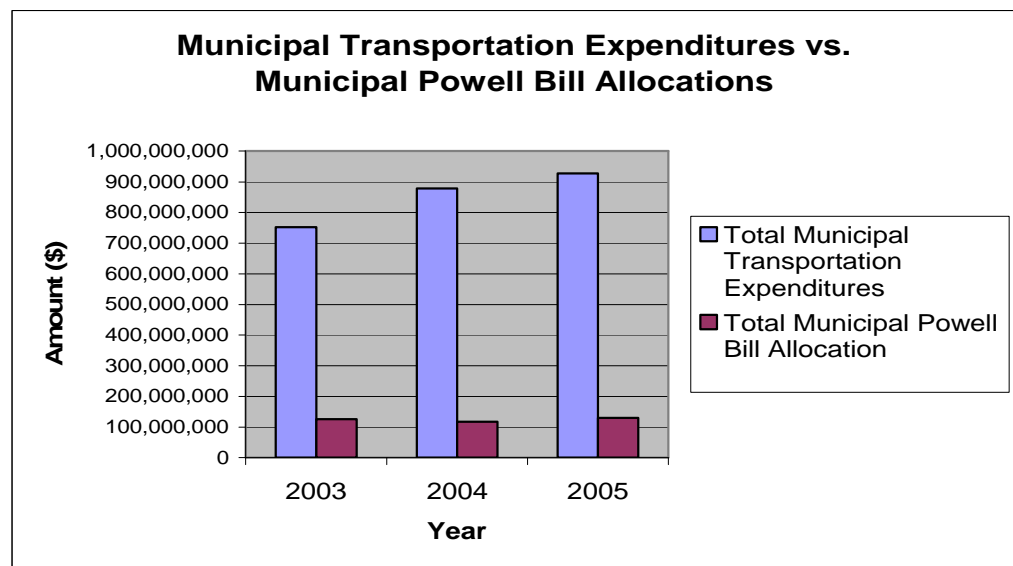
Transportation costs are rising. In FY 2004-2005, 548 municipalities spent more than \$927 million on transportation infrastructure, which represents a 23 percent increase over \$752 million in FY 2002-2003. This increase is the result of several factors including increases in the price of gasoline and asphalt. The graph (1b) below illustrates another factor influencing rising transportation expenditures: the growth in municipal road mileage. This growth stems from both new road construction and from municipalities assuming ownership of roads previously maintained by N.C.DOT. Since 1991, municipal roads have increased from 15,231 miles to 20,464 miles while state roads have increased from 77,058 miles to 79,009 miles. The increase in municipal miles represents a growth rate eleven times faster than that of state miles.

1b



The growth in Powell Bill revenue is not keeping pace with the growth in transportation costs (1c). Through the Powell Bill, the State provides over \$100 million each year to 502 municipalities for transportation infrastructure. Powell Bill funding has increased 3.4 percent over the past three years to \$130 million while municipal transportation costs have increased 23 percent to \$927 million.

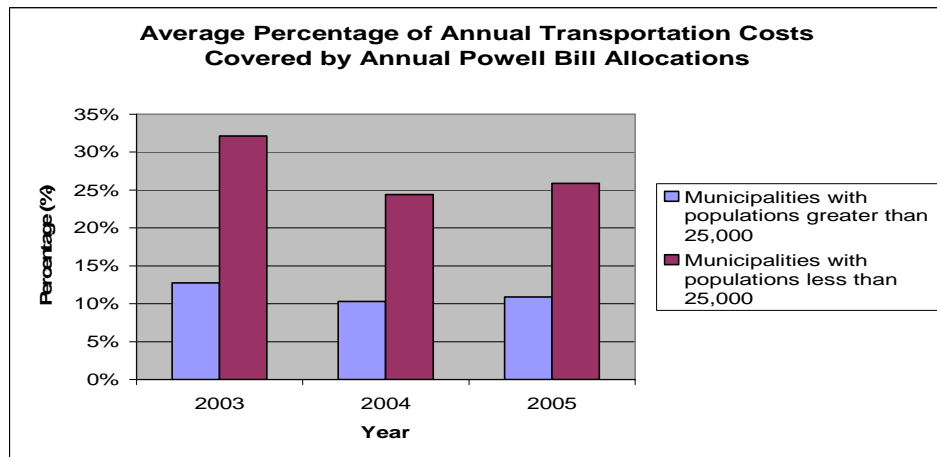
1c



Available Powell Bill funding only covers a portion of transportation costs, especially in large cities. On average, the 26 most populated municipalities receive 61 percent of the funding and more total dollars (\$80 million) than all other municipalities combined (\$49 million). These 26 municipalities represent 63 percent of the population of the 502 municipalities receiving Powell Bill funding. Charlotte receives the largest amount of funding annually and received \$17.7 million in FY 2004-2005. Although municipalities with populations over 25,000 receive more funding, the funding covers a much smaller percentage of transportation costs than it

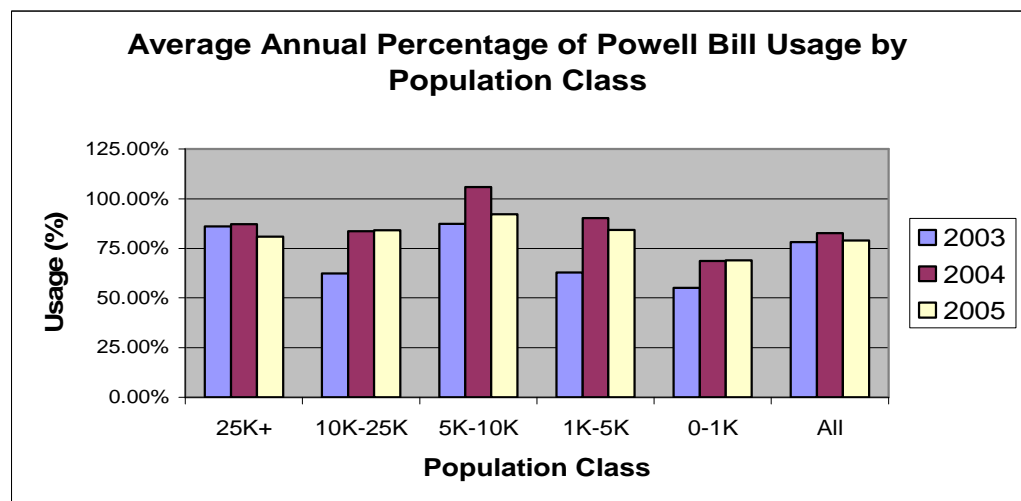
does in smaller municipalities (1d). These funds are important to smaller municipalities because these cities typically cannot generate as much local revenue as larger municipalities to support transportation infrastructure.

1d



Cities are using most of their annual Powell Bill allocation. Transportation costs and spending patterns change yearly, but municipalities use over 70 percent of their Powell Bill allocation each year. In FY 2004-2005, all cities used an average of 79 percent of their funding. The largest municipalities used 81 percent of their funding (1e). In FY 2004-2005, all cities used over \$102 million and the larger cities used \$65 million of the Powell Bill funds provided. The amount of Powell Bill funding that municipalities used yearly varied because many cities conserved funding for large projects. For example, a municipality managing a \$100,000 improvement project that only receives a \$20,000 annual allocation will save Powell Bill money until it collects enough to fund the project. This was especially evident in smaller municipalities that were not allocated large sums of Powell Bill funds.

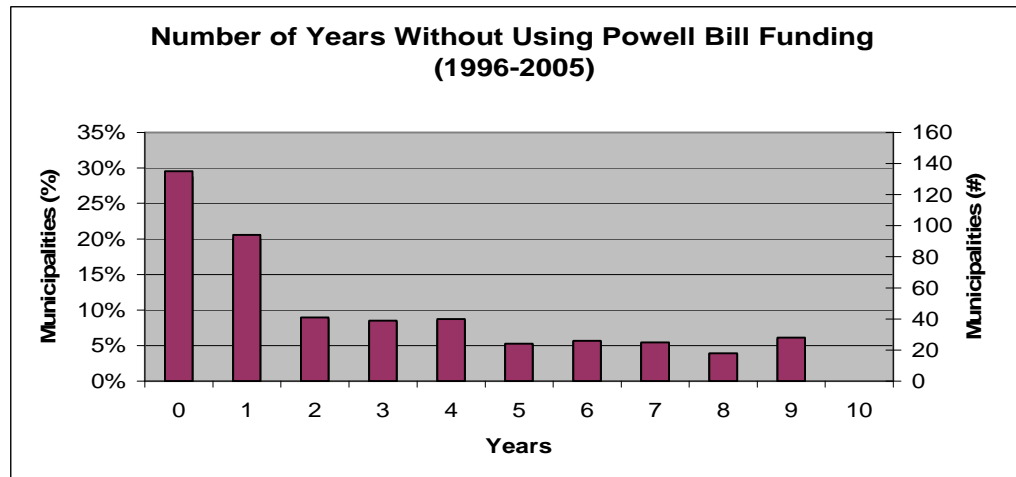
1e



Municipalities are using Powell Bill money appropriately. Two primary restrictions dictate how cities use Powell Bill funding. Municipalities can only use Powell Bill funding on activities that support transportation infrastructure. Cities must submit to N.C. DOT detailed reports

of all items and projects for which they used Powell Bill funds. N.C. DOT audits these reports to ensure compliance. The second restriction concerns time. Municipalities can retain unused Powell Bill funds for up to ten years. If a municipality has not used funds for nine years, N.C. DOT will notify the municipality that some funds must be used in the coming year. If municipalities do not use all funds within ten years, the State deducts that sum from the next year's Powell Bill allocation. As a result, this system is essentially self-correcting. Most cities use all their funds within two years (1f), and all cities have used their funds within the past ten years. The graph below only represents the 470 municipalities that have received Powell Bill funds every year since 1996.

1f



Conclusion

Rising transportation costs are an increasing portion of municipal government budgets. Existing revenue sources are now less able to support the increased cost of transportation infrastructure. Decision makers should consider this as they prepare to manage the increased traffic expected in North Carolina, especially in urban areas, that will result from the State's anticipated population growth.

This report was prepared by NCLM staff, January, 2007